

GST in India: Issues and Challenges

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Abstract

GST, which was under consideration for a long while, turned to reality with its implementation on July 1, 2017. GST, a topic of debate is always accused by everyone for making everything a costlier affair; however, no one could deny its benefit of simplification of tax structure, ease in logistics, increase in government tax revenue, and prevention of tax evasion. GST, though new and complicated is expected to have a far-reaching impact on business of all scales. Implementation of GST demands a comprehensive understanding of GST and related compliances on the part of Assessee. Researcher has studied the various issues and challenges faced during the transition from the current tax regime to the new GST system. Further researcher had suggested the measures to overcome these challenges.

KEYWORDS: GST, Implementation, GST rates, Training and Incentive

INTRODUCTION

Goods and Services Tax (GST) is a path breaking indirect tax reform, which could create a common national market. However, the journey to implement GST was not an easy one. Kelkar Task force, for the first time mooted GST in 2004 and it strongly recommended fully integrated 'GST' on national basis. The earlier indirect tax regime was very complex and the Central and State Governments used to levy number of taxes via different tags. GST proved to be a comprehensive tax structure that covered both goods and services via Goods and Service Tax and it subsumed multiple indirect taxes like excise duty, service tax, VAT, CST, luxury tax etc. GST is a value added tax levied on manufacture, sale and consumption of goods and services in an economy. It is levied at every stage of production-distribution chain with applicable set-offs which leads to diminished cascading of taxes. Thus, it ensures to pass the burden of taxes to the final consumer by allowing set-off benefits at all previous stages. This was one of the biggest taxation reforms, which integrated Centre and State economies and boosted the overall growth of our country. GST undoubtedly, cured all the ills of earlier indirect tax regime. Additionally, GST is expected to create a business-oriented environment and resultantly could control inflation. Taxation policies play a crucial role in an economy. The tax laws are, formulated to raise revenue in an effective and efficient manner. Thus, a clear understanding of Taxation policies and procedures with ease plays an important role in encouraging individuals to take interest in businesses. In this paper, researcher had studied the various issues and challenge in this paper.

OBJECTIVES

Goods and service tax is a comprehensive tax system, implemented at the national level is a significant step towards the development of the country to integrate the Central and state economy to boost the overall growth of the country. The main objectives of this research paper are to identify the issues and challenges persisting in current scenario and offer suggestions based on overall findings.

RESEARCH METHODOLOGY

The study focuses on extensive study of Secondary data collected from various books, journals, government reports, publications from various websites which had been published and focus on various issues and challenges emerging in current scenario. The accessible secondary data is intensively used for research study.

ISSUES AND CHALLENGES

a. REVERSE CHARGE MECHANISM UNDER SECTION 9(4) OF CGST ACT 2017:

As per this section, any supply of goods or service from an Unregistered Supplier to Registered Businesses, will cast liability to pay GST to the government in the form of RCM i.e. Reverse Charge Mechanism. For those who are registered under GST regime, Section 9(4) seems to be a draconian, which has created a fuss all over the industry. Whereas seem relieved, to be able to avoid all this fuss. Nevertheless, government has exempted supplies worth Rs 5000/- per day, yet, there is much to improve on this part by the government to cheer Big Business Players.

b. LACK OF SEAMLESS FLOW OF CREDIT:

Section 9(4) mandates any Registered Supplier to pay GST under Reverse Charge Mechanism for any supply of goods or services from an Unregistered Supplier. Thus, it creates a fluster for the Registered Businesses receiving goods or supplies from unregistered players, as there exists a possibility that the items purchased from Unregistered, at MRP are inclusive of taxes. But even then, as per section 9(4) Registered Supplier receiving supply of goods or services is liable to pay GST under RCM, that results in cascading effect of taxes which defeats the very first purpose of Government to implement GST.

c. RIGID ATTITUDE AMONGST TRADITIONAL BUSINESS PERSONS:

GST, was mainly implemented to create a digital and transparent Platform along with ease to its usage. However, Traditional Business entrepreneurs usually assume technology driven business platforms cumbersome. Thus, rigid attitude of these businesspersons prevents them from being contributor to Economy.

d. INADEQUATE RESPONSES FROM GRIEVANCE CELL:

GST, being very new in the economy was not adaptable with ease. Businesspersons encountered frequent queries and problems that required timely and detailed resolution. In that case, the role of GST Grievance cell was predominant. However, the responses to the grievances of Businesses were not quick and up to mark. Many writ petitions have been filed across courts in issues related to GST seeking quick resolution. That itself explains the problems faced by Businesses.

e. DEPENDENCE ON PROFESSIONAL EXPERTS:

GST obliged businesses to file multiple returns that tend to be multifold in accordance with business models. Timely compliance by registered Businesses, whether as a provider or receiver of goods and/or services is required to avoid loss of input credit which unnecessarily increased its working capital needs. Small businesses, who cannot afford to employ tax professionals, under GST mandatorily, requires professional assistance that enhanced their

cost to carry on business. Further, businesses will need to train their employees in GST compliance, which consequently will increase their overhead expenses.

f. INTRODUCTION OF IT SYSTEM BY SMALL BUSINESSES:

Most of the small businesses are yet to map the accounting software and IT systems in line with the new tax provisions, creation of invoices, and extract required reports. Many small businesses are not well equipped with the required technology and do not have the resources for fully computerized compliance. Therefore, it seems very ruthless towards the businesses whose capital outlay investment increased due to emergence of GST.

g. LACK OF SOUND IT INFRASTRUCTURE:

The IT infrastructure is considered the backbone and crucial for the successful rollout of GST. In India, the transition from the existing indirect tax regime to GST will need a well-built technological infrastructure to help corporations remain tax compliant at all given points in time. Technology can substantially help organizations operating across sectors with different processes and business models, navigate smoothly to GST regime. The biggest problem that industry experts, tax consultants and small business owners are struggling with is the overloading of the GSTN portal, with most of them forced to file returns early morning or late night to avoid facing slow processing of details on the portal.

h. LACK OF SKILLED RESOURCES:

In current tax regime i.e. GST, only updated businesses can survive and avoid late fees and penalties. There is shortage of skilled staff with updated GST knowledge and training, which leads to an additional workload on personnel across industries and creates an urgent need for additional GST-skilled resources to ensure swift implementation. GST, both a challenge and an opportunity for tax and accounting professionals, and a knowledge of cloud, big data, analytics, and business applications along with financial knowledge is the need of the hour. Firms are scrambling to get the right teams in place to derive benefits from the new tax regime, as GST is expected to bring in financial savings, which will accrue on account of a well-planned GST system. Nevertheless, such prospects are not without challenges for these professionals.

SUGGESTION

- a.* Sound IT infrastructure is required so that, businesses are provided with the readymade software's that facilitates smooth working and generates pre-defined and patterned reports to avoid fuss in timely compliances.
- b.* Grievance cell needs to be strengthened and its executives, to be trained to provide appropriate and speedy responses to the issues and queries of various Businesses.
- c.* It has become obligatory for businesses to re-train and re-skill its employees as per the new tax regime to avoid non-compliances and resultant fines and penalties. It is advised to various businesses to arrange for required training programs/seminars/counseling.
- d.* Government further needs to clear its intentions on Section 9(4) to cheer big business players as well as they contributes much to the development of economy.

CONCLUSION

From the above discussion, it can be concluded that, though characteristics of being simplified, user-friendly and transparent tax system, that were required by all, are met by GST but a few above listed issues makes it a topic of discussion and further refinement is needed. Additionally, GST implementation requires concentrated efforts of all stakeholders. Prompt Redress of emerging issues is the need of the hour, which requires stringent efforts on government's part. At this very moment education, creating awareness, conducting proper training, continuous seminars and workshop on GST is required in robust manner across the country. We must be ready to deal with the emerging issues based on concrete knowledge and slowly and gradually India shall follow the International standards in taxation, corporate laws and managerial practices to give our country a competitive edge in the global world.

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